

Message Text

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17

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 AID-20 OMB-01

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FM AMEMBASSY NASSAU
TO SECSTATE WASHDC 5807

UNCLAS NASSAU 1298

E. O. 11652: N/A

TAGS: ECON BF

SUBJ: HOTELS IN TROUBLE

REF: NASSAU 1237

1. SONESTA BEACH HOTEL INFORMED EMPLOYEES JULY 18 THAT HOTEL WILL CLOSE DOWN AUGUST 3 UNLESS SALE IS CONSUMMATED BEFORE THEN. NOTICE TO EMPLOYEES REQUIRED UNDER UNION CONTRACT. SALE TO CANADIAN BUYERS HAS REPORTEDLY FAILED THROUGH. PRESENT OWNERS ARE NOW TALKING ABOUT "MYSTERY BUYER", WHOSE IDENTITY IS REPORTED VARIOUSLY AS HILTON, INTERCONTINENTAL AND HOWARD HUGHES, BUT TALK HAS DEFINITE AIR OF WHISTLING IN THE DARK. CLOSURE WOULD PUT 430 EMPLOYEES OUT OF WORK.

2. HOTEL OWNER'S ASSOCIATION PRESIDENT ANDERS WIBERG WARNED EARLIER IN WEEK THAT BAHAMAS WILL FACE "MASSIVE CLOSURES" OF HOTELS UNLESS SITUATION IMPROVES IMMEDIATELY. WIBERG SAID NASSAU HOTELS HAD ONLY 50 PERCENT OCCUPANCY LAST YEAR (HE CLAIMED THAT 65-75 PERCENT OCCUPANCY RATES ARE NECESSARY TO BREAK EVEN), ALLEGING THAT RATES ELSEWHERE IN BAHAMAS WERE EVEN WORSE. WIBERG PREDICTED POSSIBLE RETURN TO PATTERN OF 1940'S AND 50'S, WHEN HOTELS OPEN ONLY DURING WINTER MONTHS. HE SAID ENTIRE INDUSTRY WAS LOSING MONEY AT PRESENT. WIBERG BLAMED, INTER ALIA, INCLUSIVE TOUR CHARTERS (ITC'S), HIGH SALE COSTS (25 PERCENT) AND LACK OF TOURIST REPEATERS FOR "SERIOUS" HOTEL SITUATION. HE ATTACKED TWO US LEGISLATIVE PROPOSALS ON TAX DEDUCTIONS FOR OVERSEAS CONVENTIONS AND ON UNCLASSIFIED

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ITC'S, SAYING THAT DECLINE IN CONVENTIONS AND INCREASE IN

ITC'S FROM US (ITC'S AT PRESENT COME ONLY FROM CANADA) COULD
PULL HOTEL INDUSTRY UNDER.
SPIERS

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Disposition Event:
Disposition History: n/a
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